

***AVERY COUNTY, NORTH CAROLINA***

***Newland, North Carolina***

***Financial Statements***

***June 30, 2014***

**YOUNG, MILLER & GILLESPIE, P.A.**  
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Spruce Pine, North Carolina 28777

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**Independent Auditor's Report**

To the Board of County Commissioners  
Avery County  
Newland, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Avery County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Avery County Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Avery County Airport Authority, is solely based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements of the Avery County Airport Authority were audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina as of June 30, 2014, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 8 through 16 and 46 and 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Avery County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of Avery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avery County's internal control over financial reporting and compliance.

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
October 24, 2014



## ***Management's Discussion and Analysis***

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*As management of Avery County, we offer readers of Avery County's financial statements this narrative overview and analysis of the financial activities of Avery County for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.*

### ***Financial Highlights***

- *The assets of Avery County exceeded its liabilities at the close of the fiscal year by \$30,893,960.*
- *The government's total net position increased for the current year by \$1,866,184 primarily due to stable revenues and controlled expenditures.*
- *As of the close of the current fiscal year, Avery County's governmental funds reported combined ending fund balances of \$16,864,092 a decrease of \$674,495 in comparison with the prior year. Approximately 66 percent of this total amount, or \$11,058,678, is available for spending at the government's discretion.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,986,888, or 20 percent of total general fund expenditures and transfers to other funds for the fiscal year.*
- *Avery County's total debt decreased by \$1,076,777 during the current fiscal year primarily due to repayment of debt proceeds.*

### ***Overview of the Financial Statements***

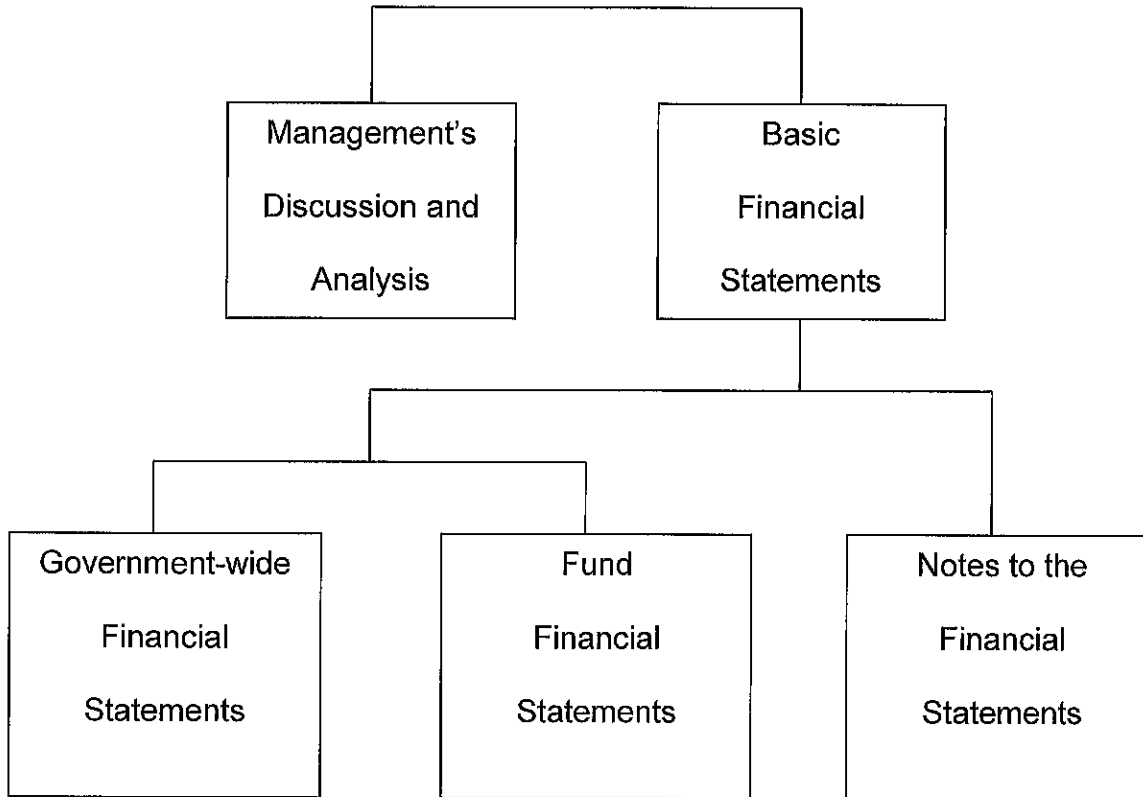
*This discussion and analysis is intended to serve as an introduction to Avery County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Avery County.*

## *Management's Discussion and Analysis*

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### *Required Components of Annual Financial Report*

*Figure 1*



#### *Basic Financial Statements*

*The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.*

*The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.*

*The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.*

## ***Management's Discussion and Analysis***

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### ***Government-wide Financial Statements***

*The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.*

*The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and total liabilities. Measuring net position is one way to gage the County's financial condition.*

*The government-wide statements are divided into two categories: 1) governmental activities; 2) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities.*

*The government-wide financial statements are on Exhibits 1 and 2 of this report.*

### ***Fund Financial Statements***

*The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Avery County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Avery County are in one category: governmental funds.*

***Governmental Funds*** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can be readily converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

## ***Management's Discussion and Analysis***

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*Avery County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.*

***Fiduciary Funds*** – *Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Avery County has six fiduciary funds, including five agency funds and one pension trust fund.*

***Notes to the Financial Statements*** – *The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.*

***Other Information*** – *In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Avery County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.*

## *Management's Discussion and Analysis*

### *Government-Wide Financial Analysis*

#### *Avery County's Net Position*

**Figure 2**

	<i>Governmental Activities</i>		
	<i>2014</i>	<i>2013</i>	<i>Difference</i>
<i>Current and other assets</i>	\$ 19,637,314	\$ 19,910,443	\$ (273,129)
<i>Capital assets</i>	20,342,516	18,729,545	1,612,971
<i>Total assets</i>	<u>\$ 39,979,830</u>	<u>\$ 38,639,988</u>	<u>\$ 1,339,842</u>
 <i>Long-term liabilities outstanding</i>	 \$ 5,085,787	 \$ 6,162,563	 \$ (1,076,776)
<i>Other liabilities</i>	3,944,746	3,502,521	442,225
<i>Total liabilities</i>	<u>9,030,533</u>	<u>9,665,084</u>	<u>(634,551)</u>
 <i>Deferred Revenues</i>	 55,337	 -	 55,337
 <i>Net position:</i>			
<i>Net investment in capital assets</i>	20,342,516	18,729,545	1,612,971
<i>Restricted</i>	10,719,488	10,841,388	(121,900)
<i>Unrestricted</i>	(168,044)	(596,029)	427,985
<i>Total net position</i>	<u>\$ 30,893,960</u>	<u>\$ 28,974,904</u>	<u>\$ 1,919,056</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Avery County exceeded liabilities by \$30,893,960 as of June 30, 2014. The County's net position increased by \$1,919,056 for the fiscal year ended June 30, 2014. One of the larger portions of net position reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Avery County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Avery County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Avery County's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(168,044) is unrestricted.

Several particular aspects of the County's financial operations positively influenced the total governmental net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.41%, higher than the statewide average in 2013 for counties of comparable size (95.38%).
- Additional revenues due to a two and one-half cent ad valorem tax increase in the prior year.
- Controlled expenditures

## *Management's Discussion and Analysis*

### *Avery County's Changes in Net Position*

*Figure 3*

		<i>Governmental Activities</i>	
		<i>2014</i>	<i>2013</i>
<i>Revenues:</i>			
<i>Program revenues:</i>			
Charges for services	\$	1,763,499	\$ 1,187,677
Operating grants and contributions		2,309,797	2,804,369
Capital grants and contributions		60,131	339,096
<i>General revenues:</i>			
Property taxes		18,805,703	18,667,260
Other taxes		5,138,935	4,918,435
Investment earnings		252,968	251,844
Other		142,265	193,248
<i>Total revenues</i>		<u>28,473,298</u>	<u>28,361,929</u>
<i>Expenses:</i>			
General government		3,488,904	3,347,033
Public safety		9,375,470	8,781,773
Transportation		701,132	761,557
Environmental protection		2,192,350	2,020,684
Economic and physical development		497,012	603,224
Human services		4,531,853	4,559,936
Cultural and recreation		523,166	524,605
Education		5,041,425	4,964,710
Interest on long-term debt		255,802	347,639
<i>Total expenses</i>		<u>26,607,114</u>	<u>25,911,161</u>
<i>Increase in net position</i>		1,866,184	2,450,768
<i>Net position, beginning</i>		28,974,904	26,524,136
<i>Prior period adjustment</i>		52,872	-
<i>Net assets, beginning, as restated</i>		<u>29,027,776</u>	<u>26,524,136</u>
<i>Net position, ending</i>	\$	<u>30,893,960</u>	\$ <u>28,974,904</u>

## ***Management's Discussion and Analysis***

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### ***Financial Analysis of the County's Funds***

*As noted earlier, Avery County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.*

**Governmental Activities.** *Governmental activities increased the County's net position by \$1,919,056, inclusive of the effect of a prior period adjustment.*

**Governmental Funds.** *The focus of Avery County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Avery County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.*

*The general fund is the chief operating fund of Avery County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,986,888 while total general fund balance reached \$13,999,548. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20 percent of total General Fund expenditures and transfers to other funds, while total fund balance represents 63 percent of that same amount.*

*At June 30, 2014, the governmental funds of Avery County reported a combined fund balance of \$16,864,092, a 4 percent decrease over last year. The primary reason for this decrease is the ongoing courthouse renovation project. This was offset by increases in the general fund due to stable revenues and controlled spending.*

**General Fund Budgetary Highlights:** *During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.*

*Total amendments to the General Fund increased the original budget by \$455,002. The majority of these amendments were due to federal and State pass through grants awarded to the County.*

### ***Capital Asset and Debt Administration***

**Capital assets.** *Avery County's capital assets for its governmental activities as of June 30, 2014, total \$20,342,516 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

## **Management's Discussion and Analysis**

Major capital asset transactions during the year include:

- Construction in progress for Courthouse renovations
- Vehicles for use in various function of the government

### **Avery County's Capital Assets (net of depreciation)**

**Figure 4**

	Governmental Activities		Governmental Activities		
	2013		2013		Difference
Land	\$ 3,616,789	\$	3,615,789	\$	1,000
Construction in progress	2,547,273		377,838		2,169,435
Buildings	12,189,380		12,348,810		(159,430)
Improvements other than buildings	599,677		633,070		(33,393)
Machinery and equipment	946,307		1,247,269		(300,962)
Vehicles and motorized equipment	443,090		506,769		(63,679)
Total	\$ 20,342,516	\$	18,729,545	\$	1,612,971

Additional information on the County's capital assets can be found in note 2A pages 35 through 36 of the Financial Statements.

**Long-term Debt.** As of June 30, 2014 Avery County had total debt outstanding of \$7,589,041. Of this, \$6,162,563 is debt secured by deeds of trust, \$201,992 is a pension obligation, \$476,205 is accrued vacation liability, and \$748,281 is for other post employment health benefits offered to employees.

Additional information regarding Avery County's long-term debt can be found in note 2B beginning on page 41.



## ***Management's Discussion and Analysis***

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### ***Budget Highlights for the Fiscal Year Ending June 30, 2015***

*Total budgeted revenues not including fund balance appropriation are only projected to increase \$173,947 or 0.7 percent from the 2013-14 budgeted revenues. The increase is primarily attributed to higher forecasted local option sales taxes. The 2014-15 budget includes a \$1,042,155 fund balance appropriation.*

*Budgeted General Fund appropriations are expected to decrease \$114,651 or 0.4 percent from the 2013-14 budget. Most of the major functions, including debt service, had small decreases from the prior fiscal year. This was partially offset by small increases in general government and public safety.*

### ***Requests for Information***

*This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Avery County, P.O. Box 640, Newland, NC 28657.*

**Avery County, North Carolina**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Avery County Airport</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,225,569	\$ 96,864
Receivables (net)	1,645,910	50,024
Due from other governments	1,700,199	-
Prepaid items	65,636	-
Capital assets:		
Land, improvements, and construction in progress	6,164,062	5,310
Other capital assets, net of depreciation	14,178,454	1,324,799
Total capital assets	20,342,516	1,330,109
Total assets	39,979,830	1,476,997
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	1,150,792	3,922
Accrued interest payable	290,699	-
Long-term liabilities:		
Due within one year	2,503,255	-
Due in more than one year	5,085,787	-
Total liabilities	9,030,533	3,922
Deferred Revenue	55,337	-
<b>NET POSITION</b>		
Net investment in capital assets	20,342,516	1,326,563
Restricted for:		
Stabilization by State Statute	1,782,805	50,024
Register of Deeds	53,663	-
Fire Protection	1,129,322	-
Emergency Telephone System	264,911	-
Construction commitments	7,488,787	-
Unrestricted (deficit)	(168,044)	96,488
Total net position	\$ 30,893,960	\$ 1,473,075

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 3,488,904	\$ 257,054	\$ -	\$ -	\$ (3,231,850)	
Public safety	9,375,470	805,188	26,060	-	(8,544,222)	
Transportation	701,132	381,796	-	-	(319,336)	
Environmental protection	2,192,350	259,275	21,457	-	(1,911,618)	
Economic and physical development	497,012	23,558	-	-	(473,474)	
Human services	4,531,853	-	2,255,080	60,131	(2,216,642)	
Cultural and recreation	523,166	36,648	7,200	-	(479,318)	
Education	5,041,425	-	-	-	(5,041,425)	
Interest on long-term debt	255,802	-	-	-	(255,802)	
Total governmental activities	\$ 26,607,114	\$ 1,763,499	\$ 2,309,797	\$ 60,131	\$ (22,473,687)	
<b>Component units:</b>						
Airport	226,406	10,014	54,171	58,976	(103,245)	
	\$ 226,406	\$ 10,014	\$ 54,171	\$ 58,976		
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes, levied for general purpose					18,805,703	-
Local option sales tax					4,467,968	-
Other taxes and licenses					670,967	-
Grants and contributions not restricted to specific programs					252,968	-
Investment earnings, unrestricted					-	-
Gain on disposal of assets					142,265	2,030
Miscellaneous, unrestricted					24,339,871	2,030
Total general revenues, special items, and transfers					1,866,184	(101,215)
Change in net position					28,974,904	1,574,290
Net position-beginning, as previously reported					52,872	-
Prior period adjustment					29,027,776	1,574,290
Net position, beginning, as restated					\$ 30,893,960	\$ 1,473,075
Net position-ending						

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,036,710	\$ 3,188,858	\$ 16,225,568
Receivables, net	1,253,881	166,051	1,419,932
Due from other governments	1,730,946	31,378	1,762,324
Prepaid assets	65,636	-	65,636
Total assets	<u>\$ 16,087,173</u>	<u>\$ 3,386,287</u>	<u>\$ 19,473,460</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**

**Liabilities:**

Accounts payable and accrued liabilities	\$ 862,176	\$ 347,741	\$ 1,209,917
Total liabilities	<u>862,176</u>	<u>347,741</u>	<u>1,209,917</u>

**Deferred Inflows of Resources:**

	<u>1,225,449</u>	<u>174,002</u>	<u>1,399,451</u>
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**Fund balances:**

**Nonspendable:**

Prepaid assets	65,636	-	65,636
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**Restricted:**

Stabilization by State statute	1,759,378	23,427	1,782,805
Register of Deeds	53,663	-	53,663
Fire Protection	-	1,129,322	1,129,322
Emergency Telephone System		264,911	264,911

**Committed:**

Tax revaluation	20,038	-	20,038
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**Assigned:**

Subsequent years' expenditures	1,042,155	29,887	1,072,042
For Capital Outlay projects	6,071,790	1,416,997	7,488,787
Unassigned	4,986,888	-	4,986,888

Total fund balances	<u>13,999,548</u>	<u>2,864,544</u>	<u>16,864,092</u>
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**Total liabilities, deferred inflows  
of resources, and fund balances**

<u>\$ 16,087,173</u>	<u>\$ 3,386,287</u>	
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Amounts reported for governmental activities in the statement of net position (Exhibit 1)  
are different because:

Deferred revenue not available for current operations	1,344,114
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,342,516

Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds	222,978
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Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(7,879,740)
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Net position of governmental activities	<u>\$ 30,893,960</u>
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The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	General Fund	Other Non- major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
<i>Ad valorem taxes</i>	\$ 16,518,288	\$ 2,297,931	\$ 18,816,219
<i>Local option sales taxes</i>	4,467,968	-	4,467,968
<i>Other taxes and licenses</i>	314,191	-	314,191
<i>Unrestricted intergovernmental</i>	221,985	-	221,985
<i>Restricted intergovernmental</i>	2,298,823	227,449	2,526,272
<i>Permits and fees</i>	328,577	-	328,577
<i>Sales and services</i>	1,273,211	-	1,273,211
<i>Investment earnings</i>	219,629	2,630	222,259
<i>Miscellaneous</i>	282,423	-	282,423
<i>Total revenues</i>	<u>25,925,095</u>	<u>2,528,010</u>	<u>28,453,105</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
<i>General government</i>	3,246,484	-	3,246,484
<i>Public safety</i>	6,716,245	1,966,489	8,682,734
<i>Transportation</i>	640,060	-	640,060
<i>Environmental protection</i>	2,067,474	-	2,067,474
<i>Economic and physical development</i>	412,008	60,131	472,139
<i>Human services</i>	4,378,876	-	4,378,876
<i>Cultural and recreational</i>	489,695	-	489,695
<i>Intergovernmental:</i>			
<i>Education</i>	5,041,425	-	5,041,425
<i>Capital outlay</i>	501,159	2,182,746	2,683,905
<i>Debt service:</i>			
<i>Principal</i>	1,076,779	-	1,076,779
<i>Interest</i>	348,029	-	348,029
<i>Total expenditures</i>	<u>24,918,234</u>	<u>4,209,366</u>	<u>29,127,600</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,006,861</u>	<u>(1,681,356)</u>	<u>(674,495)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
<i>Transfers to other funds</i>	(16,010)	(2,601,680)	(2,617,690)
<i>Transfers from other funds</i>	2,601,680	16,010	2,617,690
<i>Total other financing sources and uses</i>	<u>2,585,670</u>	<u>(2,585,670)</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>3,592,531</u>	<u>(4,267,026)</u>	<u>(674,495)</u>
<i>Fund balances-beginning</i>	<u>10,407,017</u>	<u>7,131,570</u>	<u>17,538,587</u>
<i>Fund balances-ending</i>	<u>\$ 13,999,548</u>	<u>\$ 2,864,544</u>	<u>\$ 16,864,092</u>

The accompanying notes are an integral part of these financial statements.

*Avery County, North Carolina*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Governmental Funds*  
*For the Year Ended June 30, 2014*

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*Amounts reported for governmental activities in the statement of activities are different because:*

<i>Net changes in fund balances - total governmental funds</i>	\$ (674,495)
<i>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</i>	1,560,101
<i>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</i>	20,192
<i>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</i>	1,076,779
<i>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</i>	<u>(116,393)</u>
<i>Total changes in net position of governmental activities</i>	<u>\$ 1,866,184</u>

The accompanying notes are an integral part of these financial statements.

*Avery County, North Carolina*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances -*  
*Budget and Actual - General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance With Final Positive (Negative)</i>
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$ 15,940,500	\$ 16,010,500	\$ 16,518,288	\$ 507,788
<i>Local option sales tax</i>	4,070,000	4,070,000	4,467,968	397,968
<i>Other taxes and licenses</i>	392,000	392,000	314,191	(77,809)
<i>Unrestricted intergovernmental</i>	358,097	151,000	221,985	70,985
<i>Restricted intergovernmental</i>	2,375,820	2,421,950	2,298,823	(123,127)
<i>Permits and fees</i>	320,760	322,460	328,577	6,117
<i>Sales and services</i>	1,300,360	1,271,580	1,273,211	1,631
<i>Investment earnings</i>	17,500	210,368	219,629	9,261
<i>Miscellaneous</i>	34,200	131,852	282,423	150,571
<i>Total revenues</i>	<u>24,809,237</u>	<u>24,981,710</u>	<u>25,925,095</u>	<u>943,385</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government</i>	3,290,687	3,454,687	3,147,684	307,003
<i>Public safety</i>	7,244,332	7,351,748	6,931,166	420,582
<i>Transportation</i>	800,388	800,388	639,716	160,672
<i>Environmental protection</i>	2,166,708	2,220,052	2,072,829	147,223
<i>Economic and physical development</i>	542,763	582,263	547,237	35,026
<i>Human services</i>	4,882,235	4,944,707	4,428,318	516,389
<i>Cultural and recreational</i>	572,466	600,736	525,880	74,856
<i>Intergovernmental:</i>				
<i>Education</i>	5,041,425	5,041,425	5,041,425	-
<i>Debt service:</i>				
<i>Principal retirement</i>	1,076,779	1,076,779	1,076,779	-
<i>Interest and other charges</i>	348,029	348,029	348,029	-
<i>Total expenditures</i>	<u>25,965,812</u>	<u>26,420,814</u>	<u>24,759,063</u>	<u>1,661,751</u>
<i>Revenues over (under) expenditures</i>	<u>(1,156,575)</u>	<u>(1,439,104)</u>	<u>1,166,032</u>	<u>(2,605,136)</u>
<i>Other financing sources (uses):</i>				
<i>Transfers (to) from other funds</i>	(110,000)	(84,010)	2,475,670	(2,559,680)
<i>Transfers to component unit</i>	(54,171)	(54,171)	(54,171)	-
<i>Fund balance appropriated</i>	1,320,746	1,577,285	-	1,577,285
<i>Total other financing sources (uses)</i>	<u>1,156,575</u>	<u>1,439,104</u>	<u>2,421,499</u>	<u>(982,395)</u>
<i>Revenues and other financing sources over     expenditures and other financing uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>3,587,531</u>	<u>\$ (3,587,531)</u>
<i>Fund balances:</i>				
<i>Beginning of year, July 1</i>			<u>10,407,017</u>	
<i>A legally budgeted Tax Revaluation Fund is consolidated into the General     Fund for reporting purposes:</i>				
<i>Transfers in from General Fund</i>			110,000	
<i>Labor and Fringe Benefits</i>			(105,000)	
<i>Fund Balance, Ending (Exhibit 4)</i>			<u>\$ 13,999,548</u>	

The accompanying notes are an integral part of these financial statements.

*Avery County, North Carolina*  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	<i>Pension Trust Fund</i>	<i>Agency Funds</i>
	<i>June 30, 2014</i>	<i>June 30, 2014</i>
<i>Assets</i>		
<i>Current assets:</i>		
<i>Cash and cash equivalents</i>	\$ 125,806	\$ 20,433
<i>Total assets</i>	\$ <u>125,806</u>	\$ <u>20,433</u>
<i>Liabilities and Net Position</i>		
<i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ -	\$ 20,433
<i>Total liabilities</i>	\$ <u>-</u>	\$ <u>20,433</u>
<i>Net position</i>	<u>125,806</u>	<u>-</u>
<i>Total liabilities and net position</i>	\$ <u>125,806</u>	\$ <u>20,433</u>

The accompanying notes are an integral part of these financial statements.



*Avery County, North Carolina*  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	<i>Pension Trust Funds</i>
<i>Additions:</i>	
<i>Employer contributions</i>	\$ 2,544
<i>Investment income</i>	13,002
<i>Total additions</i>	<u>15,546</u>
<i>Deductions:</i>	
<i>Withdrawals and transfers out</i>	294
<i>Administrative expense</i>	411
<i>Total deductions</i>	<u>705</u>
<i>Change in net position</i>	14,841
<i>Net position, beginning</i>	110,965
<i>Net position, ending</i>	\$ <u><u>125,806</u></u>

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The accounting policies of Avery County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:*

**(A) Reporting Entity**

*The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component unit presented below is reported in a separate column in the County's financial statements in order to emphasize that it is a legally separate entity from the County.*

*Avery County Airport Authority* – The North Carolina General Legislature enacted a law, which authorized the County of Avery to establish an airport authority for the maintenance of airport facilities within the County. On December 1, 1994, the Avery County Board of Commissioners adopted a resolution to establish the Avery County Airport Authority as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is composed of five voting members, appointed by the Avery County Board of Commissioners and serving without compensation. Periodic reports are to be made to the Avery County Board of Commissioners. The Authority may employ any agent, engineers or attorneys, or other persons whose services may be deemed by the Airport Authority to be necessary and useful in carrying out the provisions of House Bill 1878.

*Complete financial statements for this component unit may be obtained at the administrative offices of the entity:*

Avery County Airport Authority  
P.O. Box 927  
Newland, North Carolina 28657

*Avery County Fire Commission* – The North Carolina General Legislature enacted a law, which authorized the County of Avery to establish a Fire Commission for the administration of various fire departments within the County. In 2003, the Avery County Board of Commissioners adopted a resolution to establish the Avery County Fire Commission as a public authority under the Local Government Budget and Fiscal Control Act. The Commission is composed of five voting members, two of which are appointed by the Avery County Board of Commissioners, two of which are appointed by the Fire Association representing the various fire departments and one of which is chosen from the four existing board members. All members are serving without compensation. Periodic reports are to be made to the Avery County Board of Commissioners

*The blended presentation method for the Fire Commission presents this component unit as a part of the special revenue fund types of the County, and offers no separate presentation.*

**(B) Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the County's funds, including its fiduciary funds and component units. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The County reports the following major governmental fund:

**General Fund.** This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

The County reports the following fund types:

**Pension Trust Fund.** The County maintains a Pension Trust Fund to account for the IRC section 457 deferred compensation plan. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans.

**Agency Funds.** Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Avery County Board of Education; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County, the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis and the Inmate Trust Fund, used to account for monies held on behalf inmates during their incarceration.

**Nonmajor Funds.** The County maintains five legally annually budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, the Revaluation Fund and the Grant Project Fund are reported as nonmajor special revenue funds. As the capital reserve fund is not for a specific ongoing project, it is consolidated in the General Fund in accordance with GASB Statement No. 54.

In addition, the County reported two non-major capital fund types for the year. The Jail Renovation Project Fund and the Courthouse Renovation Project Fund are both capital projects funds that account for expansion and renovation of the facilities.

**(C) Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**(D) Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general and special revenue (excluding the capital reserve fund) funds. All annual

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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appropriations lapse at fiscal year-end. Project ordinances are adopted for the capital projects fund and the capital reserve fund, which is a special revenue fund type. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue funds, and at the object level for the capital projects funds. The County Manager is authorized to transfer any non-salary related appropriations within a fund. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 – Each department head will transmit to the budget officer the budget requests and revenue estimates for the budget year.

June 1 – The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 – the governing board shall adopt the budget ordinance.

**(E) Assets, Liabilities, Deferred Inflows of Resources and Fund Equity**

**Deposits and Investments**

All deposits of the County, the Avery County Airport Authority, and the Avery County Fire Commission are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and its two component units may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County, the Airport Authority, and the Fire Commission's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investments contracts are reported at cost.

**Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Restricted Cash**

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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***Ad Valorem Taxes Receivable***

*In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.*

***Allowance for Doubtful Accounts***

*All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.*

***Fixed Assets***

*Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution system, infrastructure, furniture and equipment, and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.*

*The County holds title to certain Avery County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Avery County Board of Education.*

*Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:*

	<u>Years</u>
<i>Buildings</i>	<i>50</i>
<i>Improvements</i>	<i>10-30</i>
<i>Furniture and equipment</i>	<i>5-10</i>
<i>Vehicles</i>	<i>3</i>
<i>Computer equipment</i>	<i>3</i>

*Capital assets of the Avery County Airport Authority are depreciated on a straight-line basis over the following estimated useful lives:*

	<u>Years</u>
<i>Facility upgrades</i>	<i>10</i>
<i>Improvements</i>	<i>12</i>
<i>Additions</i>	<i>20</i>

*The Avery County Fire Commission holds title to no capital assets.*

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Long-Term Debt**

*In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.*

*In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an "other financing source."*

**Deferred outflows/inflows of resources**

*In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets the criteria for this category - prepaid taxes.*

**Net Position/Fund Balances**

**Net Position**

*Net position in government-wide financial statements is classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.*

**Fund Balances**

*In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.*

*The governmental fund types classify fund balances as follows:*

*Nonspendable Fund Balance- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.*

*Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.*

*Restricted Fund Balance-This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.*

*Restricted for Stabilization of State Statute-portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].*

*Restricted for Register of Deeds- portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.*

*Restricted for Emergency Telephone System – portion of fund balance that is restricted by revenue source for the emergency telephone system fund.*

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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*Restricted for Fire Protection-* portion of fund balance that is restricted by revenue source for fire protection expenditures.

*Restricted for School Capital-*portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance - Portion of fund balance that can only be used for specific purpose imposed by majority vote of Avery County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance- portion of fund balance that the Avery County governing board has budgeted.

*Subsequent year's expenditures-*portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

*Assigned School Capital Outlay-* portion of fund balance that has been budgeted by the board for future school capital construction.

Unassigned Fund Balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Avery County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

Avery County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures will be transferred to reserves for use for future capital projects.

**(F) Revenues, Expenditures and Expenses**

**Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund. The County's General Fund also transfers funds to Avery County Airport Authority to be used for the maintenance of airport facilities in the County.

**Compensated Absences**

Under the vacation policy of the County, vacation leave will be paid to any employee who resigns or retires from the County in good standing. This vacation pay is not to exceed a maximum of thirty (30) days or 240 hours. The County is not obligated to pay any employee for accrued vacation if the employee is terminated from employment for just cause.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.



**Avery County, North Carolina**  
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**For the Fiscal Year Ended June 30, 2014**

**Comparative Data/Reclassifications**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand.

**(G) Reconciliation of Government-wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$14,029,868 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 31,661,212
Less Accumulated Depreciation	(11,318,696)
Net capital assets	20,342,516
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	222,978
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	1,344,114
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Pension benefit obligation	(201,992)
Compensated absences payable	(476,205)
Bonds, leases, and installment financing	(6,162,563)
Other post-employment health benefits	(748,281)
Accrued interest payable	(290,699)
Total adjustment	\$ 14,029,868

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,540,679 as follows:

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

<i>Description</i>	<i>Amount</i>
<i>Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities</i>	<i>\$2,683,904</i>
<i>Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements</i>	<i>(1,123,804)</i>
<i>Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements</i>	<i>1,076,777</i>
<i>Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements</i>	<i>(128,943)</i>
<i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i>	<i>92,227</i>
<i>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements</i>	
<i>Reversal of deferred tax revenue recorded at 7/1/13</i>	<i>(1,372,887)</i>
<i>Recording of tax receipts deferred in the fund statements as of 6/30/14</i>	<i>1,344,114</i>
<i>Increase in accrued interest on taxes receivable for year ended 6/30/14</i>	<i>(30,709)</i>
<i>Total adjustment</i>	<i><u>\$ 2,540,679</u></i>

**(2) DETAIL NOTES ON ALL FUNDS**

**(A) Assets**

**Deposits**

All of the County's, the Airport Authority's, and the Fire Commission's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Airport Authority's and the Fire Commission's agents in these units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Airport Authority, and the Fire Commission, these deposits are considered to be held by their agents in the entities' name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Airport Authority, and the Fire Commission or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Airport Authority and the Fire Commission under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The County and its two component units have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County analyzes the financial soundness of any other

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the County's deposits had a carrying value of \$821,782 and a bank balance of \$883,936. This includes \$146,239 in fiduciary funds. Of the bank balance, \$625,806 was covered by federal depository insurance and \$195,976 was covered by collateral held under the Pooling Method. The County maintains a petty cash fund of \$500.

At June 30, 2014, the carrying amount of deposits for the Avery County Airport Authority was \$96,864 and the bank balance was \$97,126. All of the bank balance was covered by federal depository insurance.

At June 30, 2014, the carrying amount of deposits for the Avery County Fire Commission was \$1,168,490 and the bank balance was \$1,110,883. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling method.

**Investments**

At June 30, 2014, the County's investments consisted of \$14,381,036 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

**Receivable – Allowance for Doubtful Accounts**

Receivables at the government-wide level at June 30, 2014 were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 83,769	\$ 1,597,931	\$ 1,671,731	\$ 3,353,431
Other Governmental	-	216,919	31,378	248,297
Total receivables	83,769	1,814,850	1,703,109	3,601,728
Allowance for doubtful accounts	-	(255,709)	-	(255,709)
Total-governmental activities	\$ 83,769	\$ 1,559,141	\$ 1,703,109	\$ 3,346,019

For the County, the amounts presented in Exhibit 1, the Statement of Net Position, are net of the following allowances for doubtful accounts:

<b>Fund</b>	<b>June 30, 2014</b>
General Fund:	
Property taxes	\$ 228,845
Special Revenue Fund:	
Total	\$ 26,864
	<u>255,709</u>

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

The due from other governments that is owed to the County consisted of the following:

Local option sales and related tax	\$ 1,128,815
NC DHHS operating funds	162,129
NC DOT operating and capital funds	155,799
NC DMV Motor Vehicle tax	61,351
NC E-911 fees	31,378
Sales tax refunds	74,031
School Resource grant	42,806
Miscellaneous	46,800
Total	<u>\$ 1,703,109</u>

**Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Transfers/ (Decreases)	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,615,789	\$ 1,000	\$ -	\$ 3,616,789
Construction in progress	377,838	2,169,435	-	2,547,273
Total capital assets not being depreciated	<u>3,993,627</u>	<u>2,170,435</u>	<u>-</u>	<u>6,164,062</u>
<i>Capital assets being depreciated:</i>				
Buildings	16,091,102	163,388	-	16,254,490
Other improvements	1,944,502	36,185	-	1,980,687
Equipment	4,054,232	70,378	-	4,124,610
Vehicles and motor equipment	3,008,470	296,389	(167,496)	3,137,363
Total capital assets being depreciated	<u>25,098,306</u>	<u>566,340</u>	<u>(167,496)</u>	<u>25,497,150</u>
<i>Less accumulated depreciation for:</i>				
Buildings	3,742,291	322,818	-	4,065,109
Other improvements	1,311,432	69,578	-	1,381,010
Equipment	2,806,964	371,340	-	3,178,304
Vehicles and motor equipment	2,501,701	360,068	167,496	2,694,273
Total accumulated depreciation	<u>10,362,388</u>	<u>1,123,804</u>	<u>167,496</u>	<u>11,318,696</u>
Total capital assets being depreciated, net	<u>14,735,918</u>			<u>14,178,454</u>
Governmental activity capital assets, net	<u>\$ 18,729,545</u>			<u>\$ 20,342,516</u>
 General government	\$ 210,508			
Public safety	557,338			
Economic and Physical Development	8,871			
Environmental Protection	118,874			
Human services	76,256			
Transportation	121,875			
Cultural and recreational	30,082			
Total depreciation expense	<u>\$ 1,123,804</u>			

**Construction commitments**

The government has one active construction project as of June 30, 2014. At June 30, 2014, the government's commitment with contractors follow:

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

<i>Project</i>	<i>Spent To Date</i>	<i>Remaining Commitment</i>
<i>Courthouse Renovation Project</i>	\$ 2,162,350	\$ 590,439

**Discretely presented component units**

Activity for the Avery County Airport for the year ended June 30, 2014, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Transfers</i>	<i>Ending Balance</i>
<i>Capital assets not being depreciated:</i>				
<i>Construction in progress</i>	\$175,103	70,904	-	\$246,007
<i>Total capital assets not being depreciated</i>	175,103	70,904	-	246,007
<i>Capital assets being depreciated:</i>				
<i>Equipment</i>	11,978	-	-	11,978
<i>Building improvements</i>	5,310	-	-	5,310
<i>Leasehold improvements</i>	2,211,933	-	-	2,211,933
<i>Fuel storage facility</i>	66,604	-	-	66,604
<i>Total capital assets being depreciated</i>	2,295,825	-	-	2,295,825
<i>Less accumulated depreciation for:</i>				
<i>Equipment</i>	11,978	-	-	11,978
<i>Building improvements</i>	2,986	221	-	3,207
<i>Leasehold improvements</i>	952,949	176,985	-	1,129,934
<i>Fuel storage facility</i>	66,604	-	-	66,604
<i>Total accumulated depreciation</i>	1,034,517	177,206	-	1,211,723
<i>Total capital assets being depreciated, net</i>	1,261,308			1,084,102
<i>Avery County Airport capital assets, net</i>	<u>\$1,436,411</u>			<u>\$1,330,109</u>

**Payables**

Payables at the government-wide level at June 30, 2014, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Accrued Interest</i>	<i>Total</i>
<i>Governmental Activities:</i>				
<i>General</i>	\$ 116,249	\$ 396,102	\$ 290,699	\$ 803,050
<i>Other Governmental</i>	347,742	-	-	347,742
<i>Total-governmental activities</i>	<u>\$ 463,991</u>	<u>\$ 396,102</u>	<u>\$ 290,699</u>	<u>\$ 1,150,792</u>

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**(B) Liabilities**

**(1) Pension Plan Obligations**

**(a) Local Governmental Employees' Retirement System**

*Plan Description.* Avery County contributes to the statewide Local Governmental Employee's Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employee's Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, or calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of Avery County are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 was \$484,976, \$425,443, and \$433,995, respectively. The contributions made by the County equaled the required contributions for each year.

**(b) Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description.**

*Avery County administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.*

*The Separation Allowance covers all full-time County law enforcement officers. At December 31, 2013 the Separation Allowance membership consisted of:*

<i>Retirees receiving benefits</i>	<i>1</i>
<i>Terminated plan members entitled to but not</i>	
<i>Yet receiving benefits</i>	<i>0</i>
<i>Active plan members</i>	<i>26</i>
	<hr/>
<i>Total</i>	<i>27</i>
	<hr/>

**2. Summary of Significant Accounting Policies:**

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Avery County, North Carolina**  
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**3. Contributions**

The County is required by Article 12D to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 34,001
Interest on net pension obligation	8,990
Adjustment to ARC	(14,649)
	<u>28,342</u>
Contributions made	(6,148)
Increase (decrease) in net pension obligation	<u>22,194</u>
Net pension obligation beginning of year	179,798
Net pension obligation end of year	<u>\$ 201,992</u>

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$50,899 all of which was contributed by the County.

**d. Deferred Compensation Plan**

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 401K. The plans, which are available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401K plan offers an employer match dollar for dollar up to three percent of compensation for eligible employees.

**e. Register of Deeds' Supplemental Pension Fund**

**Plan Description.** Avery County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Avery County, North Carolina**  
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**Funding Policies.** On a monthly basis, the County remits to Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven- percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014 the County contributed \$3,285 to the fund, representing 100% of its required contribution.

**(2) Other Post Employment Benefits**

**HEALTHCARE BENEFITS**

**Plan Description.** Employees retiring with at least twenty (20) years of service with Avery County, inclusive of any accumulated sick leave, and are fifty five (55) years of age or older, will be afforded full, continued medical benefits for that individual only until they are eligible to receive Medicare. Upon becoming eligible for Medicare, Avery County will provide an amount of money up to but not to exceed \$2,000 per fiscal year toward the purchase of an individual supplemental health insurance policy. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Employee Welfare Benefit Plan of the County of Avery consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

General Employees:	163
Law Enforcement Officers:	24
Retirees and dependents receiving benefits:	<u>11</u>
Total:	198

**Funding Policy.** The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a resolution that can be amended by Board of Commissioners. The County has chosen to fund the healthcare benefits on a "pay as you go" basis. The current ARC rate is 3.92% of annual covered payroll. For the current year, the County made contributions of \$97,672. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

**Summary of Significant Accounting Policies.** Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual estimated OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 245,140
Valuation Discount Rate	4.00%
Interest on Net OPEB Obligation	23,990
Amortization Factor	26.1695
Adjustment to Annual Required Contribution	<u>22,918</u>
Annual OPEB cost (expense)	246,212
Contributions made	97,672
Increase (decrease) in net OPEB obligation	<u>148,540</u>
Net OPEB obligation, beginning of year	<u>599,741</u>
Net OPEB obligation, end of year	<u>\$748,281</u>



**Avery County, North Carolina**  
**Notes to Financial Statements**  
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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, the date of the latest actuarial study, were as follows:

<u>Ended</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
30-Jun-12	\$ 163,265	57.6%	\$ 495,499
30-Jun-13	\$ 201,054	48.2%	\$ 599,741
30-Jun-14	\$ 246,212	39.7%	\$ 748,281

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,355,749. The covered payroll (annual payroll of active employees covered by the plan) was \$6,248,842, and the ratio of the UAAL to the covered payroll was 37.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

**(3) Solid Waste Landfill Closure**

During the fiscal year ended June 30, 1995, the County closed its solid waste landfill. Contingent liabilities, if any, associated with this closure are not recognized in the financial statements. At present the County contracts with a solid waste disposal company for the hauling and disposal of solid waste to a commercially operated landfill located outside of Avery County.

**(4) Deferred Inflows of Resources**

The balance in deferred inflows of resources at year-end is composed of the following elements:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Taxes receivable (net)	1,170,112	174,002
Deferred tax	55,337	
	\$ 1,225,449	\$ 174,002

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**(5) Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract, for any one occurrence, with an annual aggregate of \$50 million for flood and earthquake, with other sub-limits for coverage per the County's contract. The County also purchases general, auto, public officials, law enforcement and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$500,000 annual aggregate up to \$2 million limit for liability coverage, \$145 million of aggregate annual losses in excess of \$100,000 per occurrence and an additional \$1 million annual aggregate for property, auto, physical damage, and crime coverage, and single occurrence losses of \$350,000 per occurrence and \$300,000 annual aggregate for workers' compensation. For health and dental insurance, the County has a \$1,950,000 specific loss insurance policy when the annual losses are in excess of \$50,000 per each covered individual. The County also has a \$1,000,000 stop loss policy when the aggregate annual losses exceed 125% of expected claims based on the contractual aggregate deductible.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). County officials have determined that structures may incur differing levels of damage based on location, and, therefore, have purchased insurance coverage commensurate with exposure.

In accordance with G.S. 159-29, the County's employees that have access at any given time to \$100 or more of the County's funds are performance bonded through a crime coverage declaration by the NCACC Liability and Property Pool. The Director of Finance, Tax Collector, Register of Deeds, County Manager and Chairman of the Board are each individually bonded for the following amounts: Finance Director, Tax Collector, County Manager and Chairman of the Board, \$50,000 and Register of Deeds \$25,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

**(6) Claims and Judgments**

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County management and County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position. Pending cases as of June 30, 2014 that may have an unfavorable outcome are covered by the County's liability insurance.

**(7) Long-Term Obligations**

Notes Payable

The County entered into a commitment of \$9,500,000 for the installment purchase contract financing for two new school buildings. The installment contract bears interest at a rate of 5.51% and is amortized over a fifteen-year period with annual payments of fixed principal amounts of \$633,334. This installment contract is secured by a deed of trust on the property.

On September 6, 2006, the County entered into a commitment of \$2,000,000 in order to finance a school renovation project. The contract is with Bank of America for the issuance of Qualified Zone Academy Bond

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

(QZAB) funding. Required principal repayment is \$110,110 per year for a fifteen year term. The bond is currently discounted in the amount of \$348,350. The guaranteed interest rate on the bonds is 2.66% per annum and will be held on deposit with the bank as Trustee until such time as the bonds mature.

On May 14, 2010, the County entered into a commitment of \$5,000,000 in order to finance a school renovation project. The contract is a two part commitment. The first loan, in the amount of \$4,645,266, is for the issuance of Qualified School Construction Bond (QSCB) funding. The second commitment, for \$354,734, is financed through Build America Bonds. Required principal repayment is \$83,333 per quarter for a fifteen year term. The interest rate on the bonds is 6.73% per annum.

For Avery County, the future minimum payments as of June 30, 2014 are:

<b>Year Ending June 30</b>	<b>General Long-Term Debt</b>	<b>Interest Due and Payable</b>
2015	\$1,076,777	\$ 290,699
2016	1,076,777	227,369
2017	443,443	193,488
2018	443,443	171,054
2019	443,443	143,013
2020-2024	2,217,215	406,604
2025	<u>461,465</u>	<u>14,020</u>
<b>Total</b>	<b>\$6,162,563</b>	<b>\$ 1,446,247</b>

At June 30, 2014, the County had a legal debt margin of \$ 458,210,877.

**a. Long Term Obligation Activity**

The following is a summary of changes in the County's long term obligations for the fiscal year ended June 30, 2014:

<b>Governmental activities:</b>	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>	<b>Current Portion</b>
Installment purchase	\$ 7,239,340	-	1,076,777	6,162,563	1,076,777
Other post employment benefits	598,741	149,540	-	748,281	748,281
Pension plan obligation	179,798	22,194	-	201,992	201,992
Vacation pay obligation	457,580	18,626	-	476,205	476,205
<b>Total governmental activities</b>	<b>\$ 8,475,459</b>	<b>\$190,360</b>	<b>\$ 1,076,777</b>	<b>\$ 7,589,041</b>	<b>\$2,503,255</b>

**b. Interfund Balances and Activity**

Transfers to/from other fund

Transfers to/from other funds at June 30, 2014, consist of the following:

From the Jail Renovation fund to the General fund	\$2,601,680
From the General fund to the E-911 fund	<u>(16,010)</u>
<b>Total</b>	<b><u>\$2,585,670</u></b>

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**(3) JOINT VENTURES**

*The County participates in a joint venture to operate Avery-Mitchell-Yancey Regional Library with three other local governments. Each participating government appoints three members to the twelve-member board of the library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$78,280 to the library to supplement its activities. Complete financial statements can be obtained from the Library's offices at Highway 19E, Burnsville, North Carolina 28714.*

*The County in conjunction with the State of North Carolina, Mitchell County, and Yancey County, participates in a joint venture to operate Mayland Community College (College). Each of the four participants appoints three members of the thirteen-member board of trustees of the College. The College's student government president serves as an ex-officio nonvoting member of the College's board of trustees. The College is included as a component unit of the State. The Counties have the basic joint responsibility for providing funding for the facilities of the College and also provide some financial support for the College's operations. The Counties have an ongoing joint financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. Avery County contributed \$305,000 to the College for operating purposes and \$18,000 for capital outlay during the fiscal year ended June 30, 2014. The participating governments do not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2014. Complete financial statements for Mayland Community College may be obtained from the College's administrative offices at 200 Mayland Tech Road, Spruce Pine, North Carolina 28777.*

*The County participates in a joint venture to operate the Toe River Health District with two other local governments. Each participating government appoints one member to the twelve-member board of directors of the Health District. The County has an ongoing financial responsibility for the joint venture because the Health District's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health District, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$284,900 to the Health District to supplement its activities. Complete financial statements can be obtained from the Toe River Health District's offices at Greenwood Road, Spruce Pine, North Carolina 28777.*

*The County participates in a joint venture to operate the New River Center for Mental Health, Developmental Disability & Substance Abuse Services with three other local governments. Each participating government appoints four members to the twenty-member board of the New River Area Authority (regional area authority). The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$89,600 to the Center to supplement its activities. Complete financial statements can be obtained from the New River Center's offices located in Boone, North Carolina 28607.*

**(4) JOINTLY GOVERNED ORGANIZATION**

*The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$8,720 to the Council during the fiscal year ending June 30, 2014.*

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**(5) SUPPLEMENTAL AND ADDITIONAL SUPPLEMENTAL ONE-HALF OF ONE PERCENT LOCAL GOVERNMENT SALES AND USE TAXES**

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2014, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school indebtedness.

**(6) BENEFIT PAYMENTS ISSUED BY THE STATE**

The State, from federal and State monies, directly paid the amounts listed below to individual recipients. County personnel are involved with certain functions; primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 13,567,328	\$ 7,577,646
N.C. Health Choice	546,296	172,320
Temporary Assistance for Needy Families	75,507	-
Title IV-E Foster Care Assistance	41,134	10,769
Title IV-E Adoption Assistance	72,262	18,821
Special Children Adoption	7,200	-
State Foster Care Benefits Program	-	5,615
State Special Assistance for Adults	-	113,705
CWS Adoption Subsidy	-	159,619

**(7) SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**(8) FUND BALANCE**

Avery County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officers will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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*The following schedule provides management and citizens with information on the portion of governmental fund balances that are available for appropriation:*

<b>Total fund balance-Governmental Funds</b>	<b>\$16,864,092</b>
<b>Less:</b>	
<i>Prepaid assets</i>	<i>65,636</i>
<i>Stabilization by State Statute</i>	<i>1,782,805</i>
<i>Register of Deeds fund</i>	<i>53,663</i>
<i>Fire Protection</i>	<i>1,129,322</i>
<i>Emergency Telephone System</i>	<i>264,911</i>
<i>Appropriated Fund Balance in 2015 budget</i>	<i>1,072,042</i>
<i>Tax Revaluation</i>	<i>20,038</i>
<i>Capital projects in progress</i>	<i>1,416,997</i>
<i>Capital reserves for future projects</i>	<i>6,071,790</i>
<i>Working Capital/ Fund Balance Policy</i>	<i>4,986,888</i>
<i>Remaining Fund Balance</i>	<i>-0-</i>

**(9) PRIOR PERIOD ADJUSTMENT**

*During the fiscal year ended June 30, 2014, the County determined that certain fixed assets should have been capitalized for the government-wide statements as of June 30, 2012, the date the County received title to the old Banner Elk School building. Due to these changes, an adjustment to beginning net position has been recorded, the net effect of which increased beginning net position by \$52,872. These items were properly accounted for in the fund financial statements; therefore beginning fund balance was not affected by the adjustment.*

**(10) SUBSEQUENT EVENTS**

*Management has evaluated subsequent events through October 24, 2014, the date which the financial statements were available to be issued.*

**Avery County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</b>	<b>Unfunded (AAL) (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b - a)/c)</b>
12/31/2007	0	144,437	144,437	0%	825,800	17.49%
12/31/2008	0	169,706	169,706	0%	914,098	18.57%
12/31/2009	0	218,478	218,478	0%	877,706	24.89%
12/31/2010	0	248,739	248,739	0%	966,193	25.74%
12/31/2011	0	249,011	249,011	0%	970,426	25.66%
12/31/2012	0	266,923	266,923	0%	965,799	27.64%
12/31/2013	0	257,127	257,127	100%	974,015	26.40%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
2007	10,117	0%
2008	15,855	38.38%
2009	20,669	19.25%
2010	23,720	0%
2011	28,275	0%
2012	31,515	0%
2013	30,946	19.87%
2014	28,342	21.69%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the indicated dates. Additional information as of the latest actuarial valuations are as follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25-7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**AVERY COUNTY, NORTH CAROLINA**  
**Other Post Employment Benefits**  
**Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</b>	<b>Unfunded (AAL) (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b - a)/c)</b>
12/31/2008	0	1,498,496	1,498,496	0%	5,236,537	28.62%
12/31/2009	0	1,702,012	1,701,012	0%	5,564,426	30.60%
12/31/2012	0	2,355,749	2,355,749	0%	6,248,842	37.70%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2011	163,265	19.00%
2012	163,265	57.60%
2013	201,054	48.20%
2014	246,212	39.70%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the indicated dates. Additional information as of the latest actuarial valuations are as follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Pre-Medicare trend rate	8.5%-5%
Post-Medicare trend rate	0.00%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%

See the accompanying Independent Auditor's Report.



## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$	\$ 16,366,784	\$	\$ 16,195,680
Penalties and interest		197,449		169,194
Refunds and releases		(45,945)		(54,193)
Total	16,010,500	16,518,288	507,788	16,310,681
Local option sales taxes:				
Article 39 one percent		1,943,911		1,831,482
Article 40 one-half of one percent		1,035,049		1,000,992
Article 42 one-half of one percent		976,508		923,104
Article 44 one-half of one percent		4,055		8,513
Video programming distribution		55,551		56,581
Medicaid Hold Harmless payment		452,894		410,139
Total	4,070,000	4,467,968	397,968	4,230,811
Other taxes and licenses:				
Real estate transfer tax		281,564		388,708
Scrap tire disposal tax		21,457		21,827
Solid waste disposal		11,170		10,284
Total	392,000	314,191	(77,809)	420,819
Unrestricted intergovernmental:				
Payments in lieu of taxes		219,781		119,528
Food stamp tax reimbursement		400		1,708
Sales tax refunds		1,804		11,483
Total	151,000	221,985	70,985	132,719
Restricted intergovernmental:				
State and federal grants		2,274,925		2,603,615
Court facilities fees		17,683		20,159
ABC bottle tax		6,215		6,643
Total	2,421,950	2,298,823	(123,127)	2,630,417
Licenses and permits:				
Inspection fees and building permits		139,680		115,872
Register of deeds		149,735		169,560
Marriage licenses		7,320		8,460
Officer fees		5,230		5,244
Gun permits		1,250		2,088
IPM dues		1,167		1,400
Fingerprint fees		2,800		3,035
Concealed weapons fees		21,395		18,465
Total	322,460	328,577	6,117	324,124

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		2013
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Sales and services:</b>			
Election department		14,230	-
Transportation fees		381,796	309,569
Rents, concessions and fees		41,222	31,596
Recreation fees		43,848	41,009
Jail fees		3,280	10,384
Tax assessor fees		440	466
Emergency medical service		491,493	475,631
Solid waste fees		270,476	246,421
Civil process fees		23,585	28,607
Spay neuter program income		1,444	1,021
Civil license revocations		1,397	1,700
Total	1,271,580	1,273,211	1,631
Investment earnings	210,368	219,629	9,261
<b>Miscellaneous:</b>			
Sales of fixed assets		12,934	16,742
Donations		42,250	56,250
Restitution fees		555	-
Drug fund		-	50
DARE program		71,257	52,279
Inmate housing reimbursement		140,058	52,395
Other		15,369	15,533
Total	131,852	282,423	150,571
Total revenues	24,981,710	25,925,095	943,385
<b>Expenditures:</b>			
General government -			
Governing body:			
Salaries and employee benefits		134,210	131,358
Other operating expenditures		78,158	46,525
Capital outlay		3,945	-
Total	351,548	216,313	135,235
Administration:			
Salaries and employee benefits		242,608	214,675
Other operating expenditures		20,376	27,667
Capital outlay		4,443	-
Total	274,017	267,427	6,590
Elections:			
Salaries and employee benefits		140,639	145,376
Other operating expenditures		64,278	58,056
Capital outlay		512	-
Total	249,226	205,429	43,797

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<i>Finance:</i>				
Salaries and employee benefits		263,900		241,068
Other operating expenditures		41,611		39,989
Capital outlay		10,261		15,074
Total	357,198	315,772	41,426	296,131
<i>Tax listing and supervisor:</i>				
Salaries and employee benefits		289,167		301,917
Other operating expenditures		98,736		106,839
Capital outlay		800		5,731
Total	413,122	388,703	24,419	414,487
<i>Tax collections:</i>				
Salaries and employee benefits		109,563		69,354
Other operating expenditures		33,594		5,067
Total	117,945	143,157	(25,212)	74,421
<i>Tax mapping:</i>				
Salaries and employee benefits		62,845		52,648
Operating expenditures		22,551		20,219
Capital outlay		1,498		9,048
Total	108,533	86,894	21,639	81,915
<i>Register of Deeds:</i>				
Salaries and employee benefits		166,922		156,742
Other operating expenditures		254,772		307,107
Capital outlay		11,400		8,500
Total	462,637	433,094	29,543	472,349
<i>Public Buildings:</i>				
Salaries and employee benefits		386,162		352,736
Other operating expenditures		448,588		436,783
Capital outlay		77,387		57,397
Total	939,255	912,137	27,118	846,916
<i>Legal and auditing:</i>				
Contracted services	174,000	172,782	1,218	177,458
<i>Facilities fees:</i>				
Operating expenditures		5,976		4,813
Capital outlay		-		1,130
Total	7,206	5,976	1,230	5,943
Total general government	3,454,687	3,147,684	307,003	2,993,277

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		2013
	Budget	Actual	Actual
			Variance Favorable (Unfavorable)
Public safety -			
Sheriff's Department:			
Salaries and employee benefits		1,607,660	1,522,997
Other operating expenditures		337,877	322,683
Capital outlay		110,763	146,699
Total	2,085,776	2,056,300	29,476
Jail:			
Salaries and employee benefits		1,213,077	1,119,757
Other operating expenditures		501,601	339,604
Capital outlay		40,862	4,446
Total	1,865,959	1,755,540	110,419
Building inspection:			
Salaries and employee benefits		277,262	255,028
Other operating expenditures		49,167	41,818
Capital outlay		668	45,367
Total	352,863	327,097	25,766
Emergency management:			
Salaries and employee benefits		76,322	70,806
Other operating expenditures		34,757	17,792
Capital outlay		11,121	22,471
Total	148,949	122,200	26,749
Emergency medical services:			
Salaries and employee benefits		1,553,570	1,491,214
Other operating expenditures		267,011	251,674
Capital outlay		66,025	51,527
Total	1,993,977	1,886,606	107,371
Central dispatch:			
Salaries and employee benefits		654,030	599,212
Other operating expenditures		66,193	77,443
Capital outlay		-	1,454
Total	831,049	720,223	110,826
OSHA instruction:			
Total	725	-	725
Medical examiner:			
Professional services	15,000	5,750	9,250
			11,900

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Community agency contributions:				
Avery Search & Rescue		-		3,000
Humane Society		57,450		57,450
Total	57,450	57,450	-	60,450
Total public safety	7,351,748	6,931,166	420,582	6,454,342
Public transportation:				
Streets and highways:				
Salaries and employee benefits		454,043		439,655
Other operating expenditures		131,846		125,939
Capital outlay		53,827		141,483
Total public transportation	800,388	639,716	160,672	707,077
Environmental protection -				
Sanitation:				
Salaries and employee benefits		866,962		805,858
Other operating expenditures		851,633		810,947
Capital outlay		138,864		40,538
Total	1,996,455	1,857,459	138,996	1,657,343
Soil conservation service:				
Salaries and employee benefits		103,810		805,858
Other operating expenditures		111,560		810,947
Capital outlay		-		40,538
Total	223,597	215,370	8,227	1,657,343
Total environmental protection	2,220,052	2,072,829	147,223	3,314,686
Economic and physical development -				
Agricultural extension agent:				
Salaries and employee benefits		199,237		196,718
Other operating expenditures		89,134		93,422
Capital outlay		23,711		5,842
Total	337,927	312,082	25,845	295,982
Physical development:				
Salaries and employee benefits		74,865		69,485
Other operating expenditures		47,773		30,948
Capital outlay		111,517		61,896
Total	243,336	234,155	9,181	162,329
Regional economic development:				
Region D Development Council		1,000		-
W.N.C. Development Association	1,000	1,000	-	-
Total economic and physical development	582,263	547,237	35,026	458,311

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Human services -				
Public Health:				
Toe River Health District		284,900		290,327
New River Mental Health		89,600		89,600
Alcoholic rehabilitation		6,879		6,643
Total	384,500	381,379	3,121	386,570
Veteran's Service Officer -				
Salaries and employee benefits		21,412		18,770
Other operating expenditures		1,888		1,879
Total	27,176	23,300	3,876	20,649
Social Services:				
Salaries and employee benefits		1,845,009		1,728,150
Other operating expenditures		159,771		145,848
Capital outlay		32,398		36,893
Total	2,163,456	2,037,178	126,278	1,910,891
County participation:				
Medicaid		13,466		16,472
Special assistance		366,326		298,145
Foster care		80,146		188,688
Crisis intervention		61,018		107,175
Family Support Act		84,521		88,794
JOBS program		50,138		49,957
Total	860,811	655,615	205,196	749,231
Senior Citizens:				
Salaries and employee benefits		605,296		608,042
Other operating expenditures		268,352		258,932
Capital outlay		34,788		4,949
Total	1,000,641	908,436	92,205	871,923
Day Care and Child Development:				
Contracted services				
	376,605	298,535	78,070	368,312
Community Based Alternatives				
Operating expenditures	104,871	98,905	5,966	133,441
Aid to the Blind	1,677	-	1,677	3,294

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		2013
	Budget	Actual	Variance Favorable (Unfavorable)
Community agency contributions:			Actual
ADAP - Yellow Mountain		24,000	22,980
Avery Alzheimer's Support		970	970
Total	24,970	24,970	-
Total human services	4,944,707	4,428,318	516,389
Cultural and recreational -			
Parks & recreation:			
Salaries and employee benefits		274,465	247,754
Other operating expenditures		113,311	112,023
Capital outlay		-	12,158
Total	458,056	387,776	70,280
Community agency contributions:			
Shrine Club		970	970
Spay Neuter Program		1,444	-
Avery Little League		-	2,000
WAMY		6,000	6,000
Tag Office		19,400	19,400
Avery Smart Start		4,850	4,850
YMCA		24,250	24,250
Avery Museum		2,910	2,910
Total	64,400	59,824	4,576
Library:			
Contracted services	78,280	78,280	-
Total cultural and recreational	600,736	525,880	74,856
Education -			
Public schools - current expense		3,973,725	3,915,000
Public schools - capital outlay		744,700	744,700
Community College - current expense		305,000	293,910
Community College - capital outlay		18,000	11,100
Total education	5,041,425	5,041,425	-
Debt service -			
Principal retirement		1,076,779	1,076,777
Interest and fees		348,029	404,971
Total debt service	1,424,808	1,424,808	-

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Total expenditures	26,420,814	24,759,063	1,661,751	25,371,637
Revenue over (under) expenditures	(1,439,104)	1,166,032	2,605,136	269,504
Other financing sources (uses):				
Operating transfers in (out):				
To Revaluation Fund	(110,000)	(110,000)	-	(75,000)
To/From E-911 Fund	(16,010)	(16,010)	-	-
To/From Capital Projects Fund	42,000	42,000	-	(3,900,000)
To component unit - Airport	(54,171)	(54,171)	-	(44,870)
Total operating transfers	(138,181)	(138,181)	-	(4,019,870)
Total other financing sources (uses)	(138,181)	(138,181)	-	(4,019,870)
Excess of revenues and other sources over (under) expenditures and other uses	(1,577,285)	1,027,851	2,605,136	(3,750,366)
Appropriated fund balance	1,577,285	-	(1,577,285)	-
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	1,027,851	\$ 1,027,851	(3,750,366)
Fund balances - beginning of year		8,938,300		12,688,666
Fund balances - end of year		\$ 9,966,151		\$ 8,938,300



**Avery County, North Carolina****Revaluation Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2014****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>General government:</i>				
<i>Tax listing</i>	113,965	105,000	8,965	71,188
<i>Total expenditures</i>	113,965	105,000	8,965	71,188
<i>Revenues over (under) expenditures</i>	(113,965)	(105,000)	8,965	(71,188)
<i>Other financing sources (uses):</i>				
<i>Fund balance appropriated</i>	3,965		3,965	
<i>Operating transfer in (out) from         General Fund</i>	110,000	110,000	-	75,000
<i>Total other financing sources (uses)</i>	113,965	110,000	3,965	75,000
<i>Excess of revenues and other     sources over (under) expenditures</i>	\$ -	\$ 5,000	\$ 5,000	\$ 3,812
<i>Fund balances - beginning of year</i>		15,991		12,179
<i>Fund balances - end of year</i>		\$ 20,991		\$ 15,991

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2014**

	Emergency Telephone System Fund	Fire District Fund	Total Non-major Special Revenue Funds	Courthouse Renovation Project Fund	Total Non-major Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 353,922	\$ 1,238,102	\$ 1,592,024	\$ 1,596,834	\$ 3,188,858
Taxes receivable, net	-	166,051	166,051	-	166,051
Due from other governments	13,992	15,009	29,001	2,377	31,378
Total assets	\$ 367,914	\$ 1,419,162	\$ 1,787,076	\$ 1,599,211	\$ 3,386,287
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 59,125	\$ 108,780	\$ 167,905	\$ 179,837	\$ 347,742
Deferred revenue	-	174,002	174,002	-	174,002
Total liabilities	\$ 59,125	\$ 282,782	\$ 341,907	\$ 179,837	\$ 521,744
<b>Fund balances:</b>					
<b>Restricted:</b>					
Reserved by State statute	13,992	7,058	21,050	2,377	23,427
Fire Protection	-	1,129,322	1,129,322	-	1,129,322
Emergency Telephone System	264,910	-	264,910	-	264,910
<b>Assigned:</b>					
Designated for subsequent year's expenditures	29,887	-	29,887	-	29,887
Designated for capital outlay project	-	-	-	1,416,997	1,416,997
Total fund balances	308,789	1,136,380	1,445,169	1,419,374	2,864,543
Total liabilities and fund balances	\$ 367,914	\$ 1,419,162	\$ 1,787,076	\$ 1,599,211	\$ 3,386,287

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2014**

	Non-major Capital Projects Fund						Total Non-major	Total
	Emergency Telephone System Fund	Fire District Fund	Grant Projects Funds	Special Revenue Funds	Jail Addition	Courthouse Addition		
<b>REVENUES</b>								
Ad valorem taxes	\$ -	\$ 2,297,931	\$ -	\$ 2,297,931	\$ -	\$ -	\$ 2,297,931	\$ 2,297,931
Restricted intergovernmental	167,318	-	60,131	227,449	-	-	227,449	227,449
Investment earnings	316	2,016	-	2,332	-	298	2,630	2,630
Total revenues	167,634	2,299,947	60,131	2,527,712	-	298	2,528,010	2,528,010
<b>EXPENDITURES</b>								
Current:								
Economic and physical development	-	-	60,131	60,131	-	-	60,131	60,131
Public safety	151,017	1,815,472	-	1,966,489	-	-	1,966,489	1,966,489
Capital outlay	13,311	-	-	13,311	-	2,169,435	2,182,746	2,182,746
Total expenditures	164,328	1,815,472	60,131	2,039,931	-	2,169,435	4,209,366	4,209,366
Excess (deficiency) of revenues over expenditures	3,306	484,475	-	487,781	-	(2,169,137)	(1,681,356)	(1,681,356)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers (to) from other funds	16,010	-	-	16,010	(2,601,680)	-	(2,585,670)	(2,585,670)
Total other financing sources and uses	16,010	-	-	16,010	(2,601,680)	-	(2,585,670)	(2,585,670)
Net change in fund balances	19,316	484,475	-	503,791	(2,601,680)	(2,169,137)	(4,267,026)	(4,267,026)
Fund balances - beginning	289,473	651,905	-	941,378	2,601,680	3,588,511	7,131,569	7,131,569
Fund balances - ending	\$ 308,789	\$ 1,136,380	\$ -	\$ 1,445,169	\$ -	\$ 1,419,374	\$ 2,864,543	\$ 2,864,543

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina****Emergency Telephone System Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2014****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<i>Revenues:</i>				
<i>E-911 surcharges</i>	\$	\$ 167,318	\$	\$ 166,197
<i>Investment earnings - surcharges</i>		316		640
<i>Total revenues</i>	<u>167,694</u>	<u>167,634</u>	<u>(60)</u>	<u>166,837</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
<i>Public safety expenditures</i>		151,017		118,816
<i>Capital outlay for public safety</i>		13,311		158,224
<i>Total expenditures</i>	<u>307,679</u>	<u>164,328</u>	<u>143,351</u>	<u>277,040</u>
<i>Revenues over (under) expenditures</i>	<u>(139,985)</u>	<u>3,306</u>	<u>143,291</u>	<u>(110,203)</u>
<i>Other financing sources (uses):</i>				
<i>Operating transfer in (out):</i>				
<i>From General Fund</i>	-	16,010	-	
<i>Fund balance appropriated</i>	<u>139,985</u>	<u>-</u>	<u>139,985</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>139,985</u>	<u>16,010</u>	<u>139,985</u>	<u>-</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u>-</u>	\$ <u>19,316</u>	\$ <u>3,306</u>	\$ <u>(110,203)</u>
<i>Fund balances - beginning of year</i>		<u>289,473</u>		<u>399,675</u>
<i>Fund balances - end of year</i>		\$ <u>308,789</u>		\$ <u>289,472</u>

**Avery County, North Carolina****Fire District Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--  
For the Fiscal Year Ended June 30, 2014***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)*

	<u>2014</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$	\$ 2,297,931	\$	\$ 2,254,489
<i>Interest and other income</i>		2,016		1,098
<i>Total revenues</i>	<u>2,252,500</u>	<u>2,299,947</u>	<u>(47,447)</u>	<u>2,255,587</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
<i>Volunteer fire and rescue departments</i>		728,483		775,200
<i>Fire commission</i>		1,086,990		1,171,839
<i>Total expenditures</i>	<u>2,252,500</u>	<u>1,815,473</u>	<u>437,027</u>	<u>1,947,039</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u>-</u>	484,474	\$ <u>(484,474)</u>	308,548
<i>Fund balances - beginning of year</i>		651,906		343,358
<i>Fund balances - end of year</i>		\$ <u>1,136,380</u>		\$ <u>651,906</u>

See the accompanying Independent Auditor's Report.

Avery County, North Carolina  
 Capital Projects Fund - Jail Addition and Renovations  
 Statement of Revenue, Expenditures and Changes in Fund Balances--  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-	-
<i>Expenditures - Public Safety</i>					
General construction	\$ 7,706,000	5,593,077	-	5,593,077	2,112,923
Architect/engineering fees	914,000	912,649	-	912,649	1,351
Permits, surveys, insurance	25,000	7,170	-	7,170	17,830
Furniture	150,000	65,424	-	65,424	84,576
Site prep	385,000	-	-	-	385,000
Total expenditures	9,180,000	6,578,320	-	6,578,320	2,601,680
Revenues over (under) expenditures	(9,180,000)	(6,578,320)	-	(6,578,320)	2,601,680
<i>Other financing sources and uses</i>					
Transfers in (out) - capital reserve fund	2,591,542	2,591,542	(2,601,680)	(10,138)	(2,601,680)
Transfers in (out) - courthouse project fund	6,588,458	6,588,458	-	6,588,458	-
Total other financing sources	9,180,000	9,180,000	(2,601,680)	6,578,320	(2,601,680)
Revenues and other sources over (under) expenditures	\$ -	\$ 2,601,680	(2,601,680)	\$ -	\$ -
<i>Fund balances:</i>					
Beginning of year, July 1			2,601,680		
End of year, June 30			\$ -		

Avery County, North Carolina  
 Capital Projects Fund - Courthouse Renovation  
 Statement of Revenue, Expenditures and Changes in Fund Balances--  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
<i>Revenues:</i>					
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	298	298	298
Total	-	-	298	298	298
<i>Expenditures - Public Safety</i>					
General construction	\$ 3,385,000	78,805	2,027,916	2,106,721	1,278,279
Architect/engineering fees	450,000	227,584	106,667	334,251	115,749
Permits, surveys, insurance	15,000	5,100	-	5,100	9,900
Furniture	50,000	-	34,852	34,852	15,148
Total expenditures	3,900,000	311,489	2,169,435	2,480,924	1,419,076
Revenues over (under) expenditures	(3,900,000)	(311,489)	(2,169,137)	(2,480,626)	1,419,374
<i>Other financing sources and uses</i>					
Transfers in (out) - capital reserve fund	3,900,000	3,900,000	-	3,900,000	-
Total other financing sources	3,900,000	3,900,000	-	3,900,000	-
Revenues and other sources over (under) expenditures	\$ -	\$ 3,588,511	(2,169,137)	\$ 1,419,374	\$ 1,419,374
<i>Fund balances:</i>					
Beginning of year, July 1			3,588,511		
End of year, June 30			\$ 1,419,374		

**AVERY COUNTY, NORTH CAROLINA**

Grant Project Fund - Community Development Block Grants

Statement of Revenue, Expenditures and Changes in Fund Balances--

Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>					
Grant 12-C-2408	\$ 202,500	\$ -	\$ 60,131	\$ 60,131	\$ (142,369)
Total	<u>202,500</u>	<u>-</u>	<u>60,131</u>	<u>60,131</u>	<u>(142,369)</u>
<i>Expenditures - Economic and physical development</i>					
Rehabilitation	180,000	-	43,131	43,131	136,869
Administration	19,000	-	13,500	13,500	5,500
Planning	3,500	-	3,500	3,500	-
Total expenditures	<u>202,500</u>	<u>-</u>	<u>60,131</u>	<u>60,131</u>	<u>142,369</u>
 <i>Revenues and other sources over (under) expenditures</i>	 \$ <u>-</u>	 \$ <u>-</u>	 -	 \$ <u>-</u>	 \$ <u>-</u>
<i>Fund balances:</i>					
Beginning of year, July 1			-		
End of year, June 30			\$ <u>-</u>		

See the accompanying Independent Auditor's Report.



**Avery County, North Carolina**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Social Services -</b>				
Assets:				
Cash and investments	\$ 11,399	\$ 89,402	\$ (86,596)	\$ 14,205
Liabilities:				
Miscellaneous liabilities	\$ 11,399	\$ 89,402	\$ (86,596)	\$ 14,205
<b>Motor Vehicle Tax -</b>				
Assets:				
Taxes receivable	\$ -	\$ 140,550	\$ (140,550)	\$ -
Liabilities:				
Intergovernmental payables	\$ -	\$ 140,550	\$ (140,550)	\$ -
<b>Fines and Forfeitures -</b>				
Assets:				
Cash and investments	\$ -	\$ 65,868	\$ (65,868)	\$ -
Liabilities:				
Intergovernmental payables - Board of Education	\$ -	\$ 65,868	\$ (65,868)	\$ -
Total intergovernmental payables	\$ -	\$ 65,868	\$ (65,868)	\$ -
<b>Deed of Trust Fee Fund</b>				
Assets:				
Cash and investments	\$ -	\$ 4,764	\$ (4,764)	\$ -
Liabilities:				
Intergovernmental payables - State of NC	\$ -	\$ 4,764	\$ (4,764)	\$ -
<b>Inmate Trust Fund</b>				
Assets:				
Cash and investments	\$ 6,174	\$ 46,921	\$ (46,867)	\$ 6,228
Liabilities:				
Miscellaneous liabilities	\$ 6,174	\$ 46,921	\$ (46,867)	\$ 6,228
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and investments	\$ 17,573	\$ 206,955	\$ (204,095)	\$ 20,433
Taxes receivable	\$ -	\$ 140,550	\$ (140,550)	\$ -
Total assets	\$ 17,573	\$ 347,505	\$ (344,645)	\$ 20,433
Liabilities:				
Miscellaneous liabilities	\$ 17,573	\$ 136,323	\$ (133,463)	\$ 20,433
Intergovernmental payables - Town Motor Vehicles	\$ -	\$ 140,550	\$ (140,550)	\$ -
Intergovernmental payables - Board of Education	\$ -	\$ 65,868	\$ (65,868)	\$ -
Intergovernmental payables - State of North Carolina	\$ -	\$ 4,764	\$ (4,764)	\$ -
Total liabilities	\$ 17,573	\$ 347,505	\$ (344,645)	\$ 20,433

See the accompanying Independent Auditor's report.

**AVERY COUNTY, NORTH CAROLINA****General Fund****Schedule of Ad Valorem Taxes Receivable****June 30, 2014**

	<i>Uncollected Balance June 30, 2013</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2014</i>
2013 - 2014	\$	\$ 16,427,269	\$ 15,837,707	\$ 589,562
2012 - 2013	541,604	-	236,409	305,195
2011 - 2012	297,880	-	95,605	202,275
2010 - 2011	242,238	-	88,276	153,962
2009 - 2010	172,962	-	67,311	105,651
2008 - 2009	84,054	-	53,101	30,953
2007 - 2008	31,090	-	7,436	23,654
2006 - 2007	26,974	-	4,764	22,210
2005 - 2006	16,838	-	5,602	11,236
2004 - 2005	14,780	-	5,184	9,596
2003 - 2004	12,835	-	12,835	-
	<u>\$ 1,441,255</u>	<u>\$ 16,427,269</u>	<u>\$ 16,414,230</u>	<u>\$ 1,454,294</u>
<i>Less: allowance for uncollectible accounts:</i>				
<i>General Fund</i>				<u>(228,845)</u>
<i>Ad valorem taxes receivable - net</i>				
<i>General Fund</i>				<u>\$ 1,225,449</u>
<i>Reconciliation with revenues:</i>				
<i>Ad valorem taxes - General Fund</i>				<u>\$ 16,518,288</u>
<i>Reconciling items:</i>				
<i>Interest collected</i>				(197,449)
<i>Taxes written off</i>				<u>93,391</u>
<i>Total reconciling items</i>				<u>(104,058)</u>
<i>Total collections and credits</i>				<u>\$ 16,414,230</u>

**AVERY COUNTY, NORTH CAROLINA****Analysis of Current Tax Levy****County-Wide Levy****For the Fiscal Year Ended June 30, 2014**

	<b>County-wide</b>			<b>Total Levy</b>	
	<b>Property Valuation</b>	<b>Rate</b>	<b>Amount of Levy</b>	<b>Property excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>
<i>Original levy:</i>					
Property taxed at current year's rate	\$ 4,621,475,370	0.355	\$ 16,406,238	\$ 15,701,043	\$ 705,195
Penalties	-		5,141	5,141	-
Total	<u>4,621,475,370</u>		<u>16,411,379</u>	<u>15,706,184</u>	<u>705,195</u>
<i>Discoveries:</i>					
Current year taxes	<u>4,476,132</u>	0.355	<u>15,890</u>	<u>15,890</u>	-
Total	<u>4,476,132</u>		<u>15,890</u>	<u>15,890</u>	-
 Total property valuations	<u><u>4,625,951,502</u></u>				
 Net levy			16,427,269	15,722,074	705,195
 Uncollected taxes at June 30, 2014			<u>589,562</u>	<u>534,224</u>	<u>55,338</u>
 Current year's taxes collected			\$ <u>15,837,707</u>	\$ <u>15,187,850</u>	\$ <u>649,857</u>
 Current year's collection percentage			<u>96.41%</u>	<u>96.60%</u>	<u>92.15%</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of County Commissioners  
Avery County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Avery County, North Carolina's basic financial statements, and have issued our report thereon dated October 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Avery County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avery County's internal control. Accordingly, we do not express an opinion on the effectiveness of Avery County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 14-1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Avery County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
October 24, 2014

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Board of Commissioners  
County of Avery  
Newland, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the County of Avery, North Carolina, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County of Avery's major federal programs for the year ended June 30, 2014. The County of Avery's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of Avery's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to

above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Avery's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Avery's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County of Avery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the County of Avery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Avery's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe

than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Young, Miller & Gillespie, P.A.*

Young, Miller & Gillespie, P.A.  
Spruce Pine, North Carolina  
October 24, 2014



**AVERY COUNTY, NORTH CAROLINA****Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings  
For the Year Ended June 30, 2014****I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Avery County, North Carolina.
- B. Our audit of the financial statements disclosed one significant deficiency in the internal controls. The significant deficiency was not determined to be a material weakness.
- C. Our audit of the financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies in internal controls over major programs.
- E. An unqualified opinion was issued on Avery County's compliance with the types of compliance requirements applicable to its major federal and State programs.
- F. No audit findings relative to the major federal award programs for Avery County are reported in this schedule.
- G. Major federal programs for Avery County for the fiscal year ended June 30, 2014 are:

<u>Program Name</u>	<u>CFDA #s</u>
Medical Assistance Program	93.778
Children's Health Insurance Program	93.767

- H. There are no major State programs for Avery County for the fiscal year ended June 30, 2014.
- I. The threshold for determining Type A programs for Avery County is \$ 505,044.
- J. Avery County qualified as a low risk auditee under Section .530 of Circular No. A-133.

**II. Findings related to the Audit of the Financial Statements of Avery County, North Carolina**Finding 14-1*Internal Controls/Segregation of Duties*

- Criteria:** Duties should be segregated to provide reasonable assurance that transactions are appropriately handled.
- Condition:** There are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among County personnel.
- Effect:** Transactions could be mishandled.
- Cause:** There are a limited number of personnel for certain functions.
- Recommendation:** The duties should be segregated as much as possible and alternative controls should be used to compensate for lack of segregation. The Board of Commissioners should provide some of these controls.

**Management Response:** The Board of Commissioners agrees with this finding.

**VERY COUNTY, NORTH CAROLINA****Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings  
For the Year Ended June 30, 2014**

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*Corrective Action Plan*

*Contact person:* Wood Hall Young, Jr, Interim County Manager

*Corrective Action:* This is an ongoing significant deficiency for governmental units of comparable size to Avery County. As new employees are hired, management will make every attempt to segregate duties to the extent practical considering the availability of personnel within the financial function.

*Completion Date:* The Board will immediately implement the above procedures.

**III. Findings and Questioned Costs Related to the Audit of Federal and State Awards**

None

**IV. Status of Prior Year Findings**

Findings as noted in the prior year audit related to the same significant deficiency as discussed above under item 14-1 in regard to lack of segregation of duties due to small staff size. It is likely that this deficiency will appear in future audits of Avery County, North Carolina. It is not economically feasible for governmental entities of this size to employ a staff of the size necessary to achieve an optimum level of separation of duties.

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<b><u>U.S. Department of Health &amp; Human Services</u></b>					
<i>Passed-through Region D Council of Governments:</i>					
<i>Special Programs for the Aging-Title III B Grants for Supportive Services and Senior Centers</i>	93.044		\$ 106,434	\$ 17,157	\$ -
<i>Special Programs for the Aging-Title III C Nutrition Services</i>	93.045		58,137	10,260	-
<i>Passed through N.C. Dept. of Health and Human Resources</i>					
<i>Division of Social Services:</i>					
<i>Administration:</i>					
<i>Work First Service</i>	93.558		176,672	-	191,233
<i>Work First Administrative</i>	93.558		40,562	-	-
<i>Temporary Assistance For Needy Families Payments and Penalties</i>	93.558		75,507	172	-
<i>Special Children Adoption</i>	93.558		7,200	-	-
<i>Low-Income Home Energy Assistance</i>					
<i>Block Grant</i>	93.568		93,386	1,093	-
<i>Crisis Intervention Payments</i>	93.568		60,403	-	-
<i>Adoption Foster Care</i>	93.658		115,607	11,729	87,740
<i>Permanency Planning</i>	93.645		12,367	-	4,122
<i>Child Support Enforcement</i>	93.563		131,926	-	67,962
<i>In-Home Service - SSBG</i>	93.667		58,645	5,346	21,330
<i>NC Health Choice</i>	93.767		18,174	937	4,805
<i>Independent Living - LINKS</i>	93.674		393	98	-
<i>Direct Benefit Payments:</i>					
<i>NC Health Choice</i>	93.767		546,296	172,320	-
<i>Title IV-E Foster Care Assistance</i>	93.658		49,498	14,952	14,952
<i>IV-E Adoption Subsidy</i>	93.659		74,274	18,821	26,196
<i>Division of Medical Assistance:</i>					
<i>Administration:</i>					
<i>Title XIX - Medicaid</i>	93.778		366,843	8,376	353,971
<i>Direct Benefit Payments:</i>					
<i>Title XIX - Medicaid</i>	93.778		13,978,828	7,776,994	-
<b><u>Subsidized Child Care Cluster:</u></b>					
<i>Division of Social Services:</i>					
<i>Child Care Development Fund</i>	93.596		80,000	-	-
<i>Division of Child Development:</i>					
<i>Child Care Development Fund-Discretionary</i>	93.575		88,057	-	-
<i>IV E Foster Care</i>	93.658		2,005	1,049	-
<i>Child Care Development Fund</i>	93.596		138,990	43,775	-
<i>Total Child Care Fund Cluster:</i>			<u>309,052</u>	<u>44,824</u>	<u>-</u>
<i>Temporary Assistance for Needy Families</i>	93.558		42,025	-	-
<i>Temporary Assistance for Needy Families - MOE</i>			-	37,508	-
<i>State Funding</i>			-	29,916	-
<i>Total Subsidized Child Care Cluster</i>			<u>351,077</u>	<u>112,248</u>	<u>-</u>
<i>Total U.S. Department of Health &amp; Human Resources</i>			<u>16,322,229</u>	<u>8,150,503</u>	<u>772,311</u>
<b><u>U.S. Department of Agriculture</u></b>					
<i>Passed through Region D Council of Governments:</i>					
<i>Nutrition Program for the Elderly</i>	10.570		22,006	-	-
<i>Passed through N.C. Dept. of Health and Human Resources</i>					

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal (Direct &amp; Pass-Through) Expenditures</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>
<i>Division of Social Services:</i>					
<i>Administration:</i>					
<i>Supplemental Nutrition Assistance Program:</i>					
<i>State Administrative Matching Grants for the SNAP</i>	10.561		174,261	-	174,261
<i>Total U.S. Department of Agriculture</i>			174,261	-	174,261.00
<b><u>U.S. Department of Transportation</u></b>					
<i>Passed through N.C. Dept. of Transportation</i>					
<i>Public Transportation Programs:</i>					
<i>Section 5311 Admin., Operating, Planning, &amp; Capital</i>	20.509		149,118	9,320	-
<i>Public Transportation Capital</i>	20.509		53,245	-	-
<i>Total U.S. Department of Transportation</i>			202,363	9,320	-
<b><u>U.S. Department of Housing and Urban Development</u></b>					
<i>Passed through N.C. Dept. of Commerce</i>					
<i>Division of Community Assistance:</i>					
<i>Scattered Housing Grant</i>	14.228		60,131	-	-
<i>Total U.S. Department of Housing and Urban Development</i>			60,131	-	-
<b><u>U.S. Department of Homeland Security</u></b>					
<i>Passed through N.C. Dept. of Public Safety</i>					
<i>FEMA 4146 DR NC</i>	97.036		1,999	-	-
<i>Emergency Management Reimbursement</i>	97.042		35,317	-	-
<i>Homeland Security-2007-GE-T7</i>	97.067		16,500	-	-
<i>Total U.S. Department of Homeland Security</i>			53,816	-	-
<i>Total federal assistance</i>			16,834,806	8,159,823	946,572
<b>STATE GRANTS</b>					
<b>Cash Programs:</b>					
<b><u>N.C. Department of Health and Human Resources:</u></b>					
<i>Passed-through Region D Council of Governments:</i>					
<i>Senior Center General Purchases</i>			-	11,681	-
<i>Senior Center FANS</i>			-	200	-
<i>Division of Social Services:</i>					
<i>Direct Benefit Payment:</i>					
<i>SFHF Maximization</i>			-	(1,630)	(1,630)
<i>State Foster Care Benefits Program</i>			-	113,705	113,705
<i>Child Welfare Services - Adoption Subsidy</i>			-	159,619	53,206
<i>North Carolina Department of Public Safety</i>					
<i>Adolescent Substance Abuse</i>			-	15,343	-
<i>Juvenile Service Landship</i>			-	10,711	-
<i>PASS</i>			-	10,481	-
<i>Juvenile Non-Det</i>			-	10,000	-
<i>Project Challenge</i>			-	25,000	-
<i>Juvenile Service Operational</i>			-	489	-
<i>Governors Crime Commission</i>			-	23,396	-
<i>Total N.C. Department of Health and Human Resources</i>			-	378,995	165,281
<b><u>N.C. Department of Transportation:</u></b>					
<i>Elderly &amp; Disabled TAP</i>	DOT 16 CL		-	51,223	-
<i>Work First Program</i>	DOT 16 CL		-	5,812	-

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Rural General Public Transportation	DOT 16 CL		-	59,321	-
Total N.C. Department of Transportation			-	116,356	-
 Total State assistance			-	495,351	165,281
 Total assistance			\$ 16,834,806	\$ 8,655,174	\$ 1,111,853

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Avery County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Benefits payments are paid directly to recipients and are included in the County's financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:  
 Subsidized Child Care